

California

Dairy Review

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CDFA Undersecretary A.J. Yates Announces Retirement

California Department of Food and Agriculture (CDFA) Undersecretary A.J. Yates has announced his retirement from the agency, effective January 15, 2007.

Following three decades of farming in Fresno County, the 72-year old Yates started his second career—as a public servant—at CDFA in 1991. He worked under secretaries Henry Voss, Ann Veneman and William (Bill) Lyons, Jr. until 2000 and, following that, was tapped by then-USDA Secretary Veneman as administrator of the federal agency's Agricultural Marketing Service. Yates returned to CDFA in 2004 under current Secretary A.G. Kawamura.

"A.J. Yates is one of the leading statesmen of California agriculture – a rare talent with a deep, intuitive understanding of both farming and government," said Secretary Kawamura. "I know he's anxious to return to his family in Kerman, and we wish him the best. His sage counsel will be missed by all of us here at CDFA."

In a letter to Secretary Kawamura, Undersecretary Yates said, "It has been my great pleasure to work with truly creative thinkers who believe that farming will continue to be the cornerstone of California's economy for many years to come. Governor Schwarzenegger is certainly one of the strongest proponents of this bright future for agriculture and I have valued his vision." 



California Department of Food and Agriculture
A.G. Kawamura, Secretary

Production, Prices, Quota Transfers, Alfalfa

November Milk Production

Milk production in California for November 2006 totaled 3.1 billion pounds, up 2.7 percent from November 2005. USDA's estimate for U.S. milk production for November 2006 in the 23 major dairy states is 13.3 billion pounds, up 2.5 percent from November 2005. Production per cow in the 23 major states averaged 1,616 pounds for November, 24 pounds more than November 2005.

Minimum Class Prices

Statewide average hundredweight prices


Class	Nov	Dec	Jan
1	\$13.22	\$13.48	\$13.87
2	\$11.45	\$11.99	\$11.99
3	\$11.29	\$11.82	\$11.82
4a	\$11.32	N/A	N/A
4b	\$12.32	N/A	N/A

Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices


Regions	Nov	Dec	Jan
Phoenix, Arizona	\$14.75	\$14.78	N/A
Southern California	\$13.35	\$13.61	\$14.00
Portland, Oregon	\$14.30	\$14.33	N/A
Northern California	\$13.08	\$13.34	\$13.73
Boston (Northeast)	\$15.65	\$15.68	N/A

Quota Transfer Summary

For November 2006, four dairy producers transferred 8,457 pounds of SNF quota. November quota sales averaged \$502 per pound of SNF (without cows), average ratio of 2.46. For December 2006, six dairy producers transferred 13,117 pounds of SNF quota. December quota sales averaged \$502 per pound of SNF (without cows), average ratio of 2.48. 

Alfalfa Update: December

Northern California: Premium and Supreme alfalfa were not well test late in the month. There was good demand but very light supplies. Fair and Good alfalfa was steady in a light test with moderate demand and moderate to light supplies. Retail and Stable hay was steady with good demand and most supplies coming out of barns. A lot of hay is coming in from out of state.

Southern California: Supreme and Premium alfalfa was not well tested with good demand and very light supplies. Fair and Good alfalfa was mostly with moderate supplies. Retail and stable hay was steady with good demand and moderate supplies - some hay coming out of barns now. Weather during the month was good for hay production. 

Supreme Hay Prices

Statewide average prices per ton

Area	11/22	12/1	12/8	12/15
Petaluma	N/A	\$200	N/A	\$200
North Valley ¹	\$175-190	\$175-200	\$180-190	\$185
South Valley ²	\$187	\$185-195	\$185-195	N/A
Chino Valley	N/A	N/A	N/A	N/A

¹North Valley is Escalon, Modesto and Turlock areas.

²South Valley is Tulare, Visalia and Hanford areas.

Alfalfa Hay Sales/Delivery

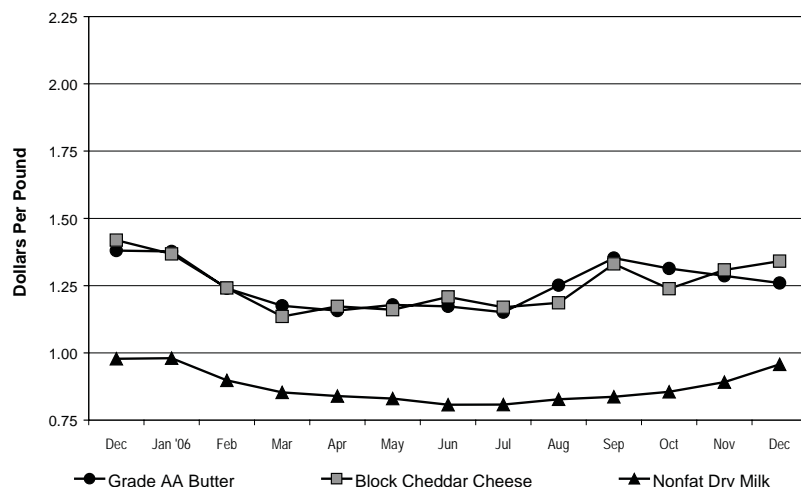
	October	November
Tons Sold ¹	146,166	62,402
Tons Delivered ²	88,819	25,945

¹ For current or future delivery.

² Contracted or current sales.

Alfalfa hay sales, deliveries and Supreme quality prices per ton, delivered to dairies, as reported by the USDA Market News Service, Moses Lake, WA, (509) 765-3611, <http://www.ams.usda.gov/marketnews.htm>

Grade AA Butter, Block Cheddar Cheese, and Nonfat Dry Milk Prices Used in the Calculation of California Class 1 Milk Prices



Alfalfa Hay in 2006 and Looking Ahead to 2007

by Seth Hoyt

HAY PRICES AND TRENDS IN WESTERN STATES

Alfalfa hay markets in the Western States generally follow similar trends. NOT IN 2006!! Markets in California, the leading alfalfa hay producing state in the nation, and Nevada, where much of the alfalfa hay is shipped to California were down \$15.00 to \$30.00 per ton compared to 2005. Conversely, in many of the other nine Western States, alfalfa hay prices were steady to \$20.00 per ton higher than last year. Why the divergent trends? Part of this is due to the unprecedented upward surge in alfalfa hay prices in California in 2005 and the downward correction in 2006 as a result of challenging economic times for dairies. Due to drought conditions and growing dairy cow numbers in some of the eleven Western States in 2006, alfalfa hay supplies were tight, particularly supplies of higher quality milk cow hay. This pushed alfalfa hay prices higher in states like New Mexico and Idaho. While milk prices in 2006 were lower than last year, the lack of profitability was more evident in California where dairy producers held a hard line on the price they would pay for hay. Many dairies in California reduced the amount of alfalfa hay in rations or substituted with other types of hay, such as grain hay. With the dramatic upward surge in grain prices, particularly feed corn prices that began in mid October of this year and with uncertainties of irrigation water supplies in some Western States in 2007, growers could plant less than expected alfalfa acres in some areas of the West next year.

2006 RECAP PROFITABILITY PICTURE MIXED ON ALFALFA HAY

If you asked an alfalfa hay grower in central California what kind of year they had in 2006 you would probably get a negative response. Between lower yields due to weather and lower prices than a year ago, you wouldn't hear anything close to the response they gave about 2005. However, if you asked an alfalfa grower in Idaho about 2006, particularly a grower in the southern area near the large dairy populations, the response would probably be favorable. While overall alfalfa hay supplies were down in the West, some areas were tight on supplies which resulted in higher markets. Drought contributed to this in States such as Colorado and New Mexico, but while these conditions subsided in these two states in the fall of 2006, Wyoming and Montana were gripped in very dry conditions. Hay supplies in the fall in California were below a year ago, according to sources, particularly higher quality alfalfa hay. The ample supplies of low-to-middle quality alfalfa hay

from earlier in the season had declined by the fourth quarter. Consequently, hay supplies were tightening in California in the fall and the market was firming.

Along with higher costs for fertilizer and fuel, another big negative for growers in central California is historically higher costs for irrigation water. This is the area where there has been alfalfa acreage converted to permanent crops in recent years, such as almonds, where drip irrigation significantly reduces water costs. The central and northern valleys of California could also see increased alfalfa hay acres converted to feed corn and wheat acres in 2007 due to the very strong grain prices in October and November. In Idaho, \$120.00 to \$145.00 dollars per ton on higher quality alfalfa hay and \$80.00 to \$100.00 per ton for low-to-middle quality alfalfa in 2006 returned more profits to growers than those prices would return to California growers.

CALIFORNIA NOT HAY PRICE LEADER IN 2006

California, which normally leads the nation in alfalfa hay prices, found itself not in the top position in 2006. F.o.b. prices in New Mexico, Idaho, and Oregon were at times higher than California on various qualities of alfalfa hay. California dairies, in an effort to reduce feed costs, culled low producing cows which helped drive dairy cow slaughter up 12 percent above 2005. Many dairies in California reduced the amount of alfalfa hay in milk cow rations. Some were substituting grain hay for alfalfa hay in rations for lower producing cows and dry cows and using canola meal or other protein feeds in the ration. Some dairies began these practices in 2005 during record high alfalfa hay prices and this continued into 2006 due to tight supplies of higher testing alfalfa hay and lower milk prices. The amount of concentrate in milk cow rations in California reached record highs in 2006 but this could change in the months ahead with the upsurge in grain prices. However, a positive for dairy producers will be the availability of distillers dried grains, a high protein feed by product from ethanol production. Silage usage was higher in California in 2006 with prices in the low \$20's per ton compared to \$28.00 to \$30.00 per ton last year. Heavy silage use was also seen in Idaho. It will be interesting to see if corn for silage acres drop in 2007 due to the strong corn for grain market.

ALFALFA HAY ACRES, PRODUCTION, AND MOVEMENT

While alfalfa hay acres in the eleven Western States were unchanged from 2005, production was down

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Alfalfa Hay - Continued from page 3

two percent. Alfalfa hay production in the U.S. was down six percent from last year. Fewer supplies of alfalfa and other hay nationwide resulted in strong markets in many states. In some states, such as New Mexico, dairy hay buyers were purchasing alfalfa hay in areas of the West where they had never gone before and hay was moving longer distances. For example, a feed store buyer from Texas bought several hundred tons of alfalfa hay in central Nevada. Sources said they saw California hay trucks hauling hay into New Mexico. There were reports that alfalfa hay from the southern California desert moved into Texas and Oklahoma earlier in the season.

It was ironic that while alfalfa hay movement increased into some states in the West, shipments into California were down 13 percent compared to 2005. Alfalfa hay crossings from Arizona to California were down dramatically as more hay stayed in Arizona due to a growing dairy industry and fewer alfalfa hay acres. Also, it is possible there may have been increased shipments of Arizona hay to points east. Movement of alfalfa hay from Utah into California January through September was down 7 percent and Oregon crossings were down slightly from a year ago. Alfalfa hay shipments from Nevada to California were up 10 percent from last year.

One interesting observation was the number of alfalfa hay acres in New Mexico. The dairy cow inventory in New Mexico has increased 85 percent in the last ten years and in September 2006 numbered 360,000 head. Alfalfa hay acres in New Mexico in 2006 numbered 220,000, down from 255,000 in 1996. This is not a fair comparison because the state has experienced droughts the past few years. However, in the past ten years the highest alfalfa hay acreage in New Mexico in non-drought years was 290,000, up 14 percent from 1996. Sources indicate that given the amount of irrigation water available for alfalfa hay in a non-drought year, acres would likely top out at 270,000 or 280,000. It was no wonder that dairy hay buyers from New Mexico purchased an increased amount of alfalfa hay in other western states in 2006.

CONSISTENT HAY MARKET IN THE WEST

Hay growers that produced alfalfa grass mix hay such as orchard grass and alfalfa hay or straight grass hays such as orchard grass and timothy hay found strong demand throughout 2006 from horse and feed store buyers. Growers in northern California and Nevada reported the market on this type of hay was higher than in 2005. There has been a growing number of horse owners that are feeding grass hays with alfalfa with some preferring the grass alfalfa mix. While demand for light three string alfalfa hay bales for feed stores was

weak early in the season in California, the market was moving higher in the fall under good demand.

Another market that saw improved movement from 2005 was alfalfa hay for export. Due to lower prices in California on alfalfa hay in 2006, an increased volume of alfalfa hay was purchased by export buyers, particularly in the southern desert and northern California.

ALFALFA HAY OUTLOOK FOR 2007

With tight alfalfa hay supplies in many western states, demand and prices could be strong in 2007 or at least for the first half of the season. It is questionable if production in the second half of the 2007 season will be sufficient to force prices lower. The steady to higher prices in several western states in 2006 would normally trigger more acres and production the following year. However, between the uncertainty of irrigation water supplies in some areas and very strong grain prices, the alfalfa hay acre and production picture is not clear in some States. The State with the biggest chance to decline in alfalfa hay acres is California.

CROP OPTIONS

California alfalfa hay growers, for the first time in many years have several options of what they may plant in 2007. With the sharp rise in grain prices some growers were contracting Hard Red Winter wheat at \$170 to \$180 per ton for 2007. Durum wheat acres could be up in the Imperial Valley which could displace some alfalfa. Feed corn contracts in central and northern California in early November were reported in the \$135 to \$146 per ton range with some higher. The outlook was bullish for grain prices with some predicting that the market had not yet peaked. With the outlook for very strong prices on processed tomatoes in California, some alfalfa hay ground could convert to tomatoes in 2007. Raw equivalent tomato stocks are at a 15-year low and sources believe contract prices on processed tomatoes in 2007 could be in the mid-\$60's per ton range which would be a record high. Additionally, alfalfa hay acres continue to be converted to permanent crops, such as almonds in central California. Thanks to exports, the almond market continues to be strong in spite of a substantial increase in acres the past few years. Other crops that California growers mentioned that have more profit potential included garlic, carrots, and onions. Due to strong markets and demand, sources believe Pima cotton acres should continue to move higher in California. However, many think that Alcala (Upland)

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Alfalfa Hay - Continued from page 4

acres, which dropped to the lowest level since the mid-1940's, will keep falling. While some Alcala cotton ground may convert to alfalfa hay, sources don't believe this will be significant.

Higher grain prices will also give hay growers in other states additional options, particularly in areas where water supplies could be tight. Lower U.S. corn stocks combined with strong demand from ethanol producers and exporters, caused a very bullish outlook for feed corn prices. World wheat stocks were at the lowest level in 25 years and Australia, a major wheat producer was experiencing one of the worst droughts in their history.


DAIRY OUTLOOK

With the highest grain prices in 10 years, dairies may reduce the amount of concentrate fed to milk cows next year. The last time there was a significant drop in concentrate fed to milk cows was in 1996 when corn prices reached record highs. The strong grain markets could benefit the alfalfa hay industry in the West as dairies may be forced to reduce the amount of grain in rations. In California, alfalfa growers could especially benefit from this as many dairies reduced the amount of alfalfa hay in dairy rations in 2005 and 2006. Corn silage could increase in rations if there is a larger amount of corn silage available.

HORSE/RETAIL HAY MARKET

The market on alfalfa grass hay, orchard grass, and timothy hay for the horse market could remain strong in 2007 given the excellent demand this year. Prices were strong on this hay in 2006 in areas of California and Nevada where the alfalfa hay market was soft compared to the previous year. The horse/retail market on alfalfa is firm going into the winter and this could be positive for the early market next year, especially for light bales for feed stores.

CONCLUSION

Alfalfa hay supplies in the West should be lower going into 2007. Demand could be good early next season as many dairies will be in need of hay. The outlook for alfalfa hay acres and production in the West next year is mixed. Much will depend on irrigation water supplies and the number of acres converted to other crops. California growers, after a disappointing year in 2006 have the most crop options for 2007 and may not follow the same year-to-year trend on alfalfa acres and production as some other States in the West. If alfalfa hay production is lower in California next year, alfalfa shipments from out of state may move higher, particularly if fuel prices hold at moderate levels. 

USDA Proposes Rule to Reopen Canadian Border Restrictions

by National Milk Producers Federation

The USDA has sent a new proposed rule to the Office of Management and Budget (OMB) that would reopen the Canadian border to cattle over 30 months of age — which may also include dairy heifers. Currently, only cattle less than 30 months may enter the U.S. for slaughter.

This past summer USDA attempted to open the border to animals over 30 months of age. But that proposal was withdrawn following the discovery in July of a 50 month-old Alberta dairy cow with BSE. That was the seventh case of mad cow disease in Canada during the past three years, which has called into question the effectiveness of the feed ban that prevents the spread of BSE.

The National Milk Producers Federation (NMPF) expressed concern is that USDA will propose that the border be opened for all classes of animals, not just cattle over 30 months destined for slaughter. This could mean that breeding age dairy heifers might also be permitted entry under the proposed rule.

USDA closed the border and banned all beef and cattle in May of 2003, following Canada's identification of their first domestic case of BSE. The border remained closed to live cattle and most beef until July 2005, when it was reopened for cattle less than 30 months going directly to slaughter.

According to NMPF if the new proposed rule clears review by OMB and is published within the next 90 days, there will likely be a 60 day public comment period, and several months of further government review before the rule is put into place, most likely by end of summer 2007. 


2007 Assessment Rates Established for the CMAB and the CMMAB

The Department recently approved the 2007 assessment rates applicable to the California Milk Advisory Board (CMAB) and the California Manufacturing Milk Advisory Board (CMMAB). These two producer-funded programs conduct dairy promotion and research activities on behalf of California's dairy farmers.


The 2007 CMAB assessment rate for market milk and the 2007 CMMAB assessment rate for manufacturing milk have both been set at ten cents (\$0.10) per hundredweight. These rates are unchanged from the 2006 rates.

As in the past, these assessments will be collected from the first handlers who purchase or otherwise acquire possession of milk from producers. Each handler shall in turn deduct such assessments from payment owed to their producers.

These assessments are authorized separate and apart from the fifteen-cent (\$0.15) assessment of the National Dairy Promotion and Research Board (NDPRB), but qualify California milk producers for a credit toward the NDPRB assessment.


Please call the CDFA Marketing Branch at (916) 341-6005 if you have any questions about these assessments. 

Secretary Appoints Members to Security Trust Fund Board

Secretary A.G. Kawamura reappointed Jim Dolan from Driftwood Dairy and Fred Douma from Douma Dairy to three-year terms of office on the Milk Producers Security Trust Fund Board of Directors. The Board is composed of three producer members, two processor members, and two members representing cooperative associations. Mr. Dolan will serve as a processor representative and Mr. Douma will represent producers. The appointments were made based upon nominations received from the three categories of dairy industry members referenced above. Their new terms of office will begin on January 1, 2007. 


National Animal Health Monitoring System, Dairy 2007

In January 2007, the U.S. Department of Agriculture's Animal and Plant Health Inspection Service's (APHIS) National Animal Health Monitoring System (NAHMS) will launch its fourth national study of the U.S. dairy industry, Dairy 2007. Dairy producers in California and 16 other top dairy States will be asked to participate in this valuable study. It will take an indepth look at the health and health-management issues facing the U.S. dairy industry.

Participation in all NAHMS studies is voluntary and confidential. If you are selected to participate in Dairy 2007, representatives from the California office of USDA's National Agricultural Statistics Service (NASS) will visit you to complete a questionnaire. NASS will contact selected dairy producers between January 1 and January 31, 2007. If you choose to continue in the study, veterinary medical officers and/or animal health technicians will visit and explain further phases of the study. For additional information, please contact Sarah Hoffman at (800) 851-1127 

Market, News, Weather (DTN) On Dairy Marketing Website

DTN Dairy is a source of comprehensive dairy-specific market, weather, and news information. This site provides a complete package of market analysis and commentary, real-time quotes, milk production information, highly localized weather and industry news 24 hours a day. DTN also includes exclusive updates from the Chicago Mercantile Exchange dairy traders daily. It also provides easy access to local and regional pricing information for distillers grain, soybean meal and cottonseed, as well as a complete database of current bid prices in relation to the producer's operation. The site also provides advice and analysis on current and historic fuel and fertilizer data.

The Dairy Marketing Branch website at www.cdfa.ca.gov/dairy has a link featuring "Markets, Weather, and News" where you can access the DTN information site. Simply go to the left side of the branch website home page and click on "Markets, Weather, and News (DTN)." 


Proposed Changes to the WIC Program

The Agriculture Department's proposal to update its nutrition program for low-income families to encourage healthier food choices, would add more fruits, vegetables and whole grains. But, the extra costs involved to add these items would be covered by purchasing less milk, cheese, eggs and juice for the Women, Infants and Children (WIC) program. According to estimates by the Agriculture Department, sales of milk through the WIC program would be reduced from \$906 million to \$677 million, and sales of cheese would be reduced from \$420 million to \$253 million, a total of about \$400 million less in dairy sales.


Statistics show that purchases through the WIC program account for 6 percent of annual U.S. milk sales and 3 percent of cheese sales. The WIC program, which helps feed more than half the babies born in the U.S., provides vouchers or food checks for purchases worth around \$35 a month. The proposed revisions are based on suggestions by the federally chartered Institute of Medicine. The addition of fruits, vegetables and whole grains follows changes made to the government's dietary guidelines last year.

Under the proposal, milk would be reduced from three cups a day to two cups for children ages 1 through 5, and soy milk and tofu would be allowed as substitutions for those who have trouble digesting lactose or have milk allergies. Eggs would be reduced from 2-1/2 dozen per month to 1 dozen per month for women and children, and 2 dozen for women who are breast-feeding. Juice would be reduced from 9 ounces per day to 4 ounces per day for children ages 1 through 5. Trade groups representing dairy, egg and juice producers have all filed comments with the Agriculture Department arguing that the reductions would deprive women and children of important nutrients.


Tae Chong, a public policy nutritionist at the National WIC Association, which represents agencies that administer the program at the state and local level, said his group embraced the proposed rule. "What the WIC rule recommends follows a number of national dietary guidelines," he said.

The Agriculture Department, which is reviewing public comments, expects to issue a final rule by next September, Acker said. 

Midwest Looking at Future Drought Possibility


Seven hundred years of climatic information gathered from tree rings shows that, on average, the U.S. has experienced a major drought every 18 or 19 years. The longest span between droughts is 23 years. Given these facts, Iowa State University climatologist Elwynn Taylor told attendees at the National Ag Bankers conference earlier this month that the Midwest is due for a drought. The last major drought was 1988 — 18 years ago — so the odds for a drought grow significantly stronger each year. 

Longer Shelf Life for Milk

Oregon State University researchers say they've found a way to increase milk's shelf life without sacrificing flavor. Instead of using ultra-high-temperature pasteurization, which can leave milk with a "cooked" flavor, the researchers squeezed the life out of harmful bacteria. The researchers say the process crushes and kills bacteria, yet leaves milk with a refrigerated shelf of about 45 days. The findings were published in the Nov. 29 issue of the Journal of Agricultural and Food Chemistry. 

USDA unveils new energy tool

USDA has developed a new energy-awareness tool designed to help agricultural producers reduce energy costs related to animal housing. The "Energy Estimator for Animal Housing" developed by the Natural Resources Conservation Service (NRCS) evaluates the energy use and costs associated with heating, lighting and ventilating poultry, swine and dairy housing. This NRCS energy awareness tool is designed to inform you of the energy cost centers and help you estimate the energy costs for three animal housing operations on your farm or ranch. NRCS technical specialists have developed energy cost models for housing dairy cows, swine, and poultry.

Once the required information has been entered, the calculator provides an analysis of estimated energy use and costs associated with various energy-management options, and it identifies any potential energy savings that may be realized from making certain changes. To use, follow this link: <http://ahat.sc.egov.usda.gov/> 

Dairy Consortium for the Southern Great Plains Region


by Texas A&M University

With the addition of more than 50 large dairies starting operations in the past five years, the Southern Great Plains is rapidly becoming the land of beef and milk. This growth has brought a different size and scope of farms to the region, which has created demand for new research and extension programs. As a result, the Southern Great Plains Dairy Consortium has been created.

The Southern Great Plains Dairy Consortium is a multi-university, interagency group. Cooperating institutions and agencies are: New Mexico State University, experiment station, extension, Texas Veterinary Medical Diagnostic Lab, U.S. Department of Agriculture-Agricultural Research Service, West Texas A&M University, Tarleton State University, Texas A&M University, Texas Tech University and cooperating dairy organizations from Texas and New Mexico.

The consortium will coordinate research, education, extension and diagnostic service programs. It also will develop and enhance technology, as well as deliver educational programs to enhance the efficiency and quality of milk production and reduce environmental effects. A dairy producer's forum conducted by the consortium partners has identified environmental quality, production, products/quality, marketing, human resources, extension and educational programs and water availability as some of the key issues.

The consortium will be funded by the respective institutions and agencies, and education and research grants. Special federal or state legislative initiatives also are being pursued.

During the past 10 years, a shift in milk production has transformed the West Texas/New Mexico milkshed into one of the top producing regions of the nation, says John Sweeten, director of the Texas A&M University Agricultural Research and Extension Center in Amarillo. In addition to all of the new dairies Southwest Cheese in Clovis, N.M., opened in 2005, and Hilmar Cheese is being built in Dalhart. This changing landscape means changes are needed to meet the needs of new, large dairy producers who have migrated to the area. 

National Dairy Situation and Outlook – USDA Estimates

Milk Production and Cow Numbers

Monthly: Compared to 2005, USDA estimates that overall milk production across the U.S. was up 2.0% in November, led by Texas' 9.6% growth in milk production (on 17,000 more cows and 65 more pounds per cow). California's estimated production was up 2.4% (on 10,000 more cows and 30 more pounds per cow). Among the western states, Arizona was up 2.7%; New Mexico up 2.4%; and Washington was down -3.2%. One of the top 10 states reported a production decrease.


Quarterly: For the third quarter of 2006 compared to the second quarter of 2006, U.S. milk cow numbers decreased to 9.117 million, production per cow was down 4.5%; the net effect was a 4.7% decrease in milk production to 44.7 billion pounds. USDA projects that for the fourth quarter of 2006 compared to the third quarter of 2006, U.S. milk cow numbers will decrease 10,000 cows to 9.105 million cows, production per cow will be down two pounds per cow; the net effect would be relatively no change in milk production to 44.7 billion pounds.

Milk Prices

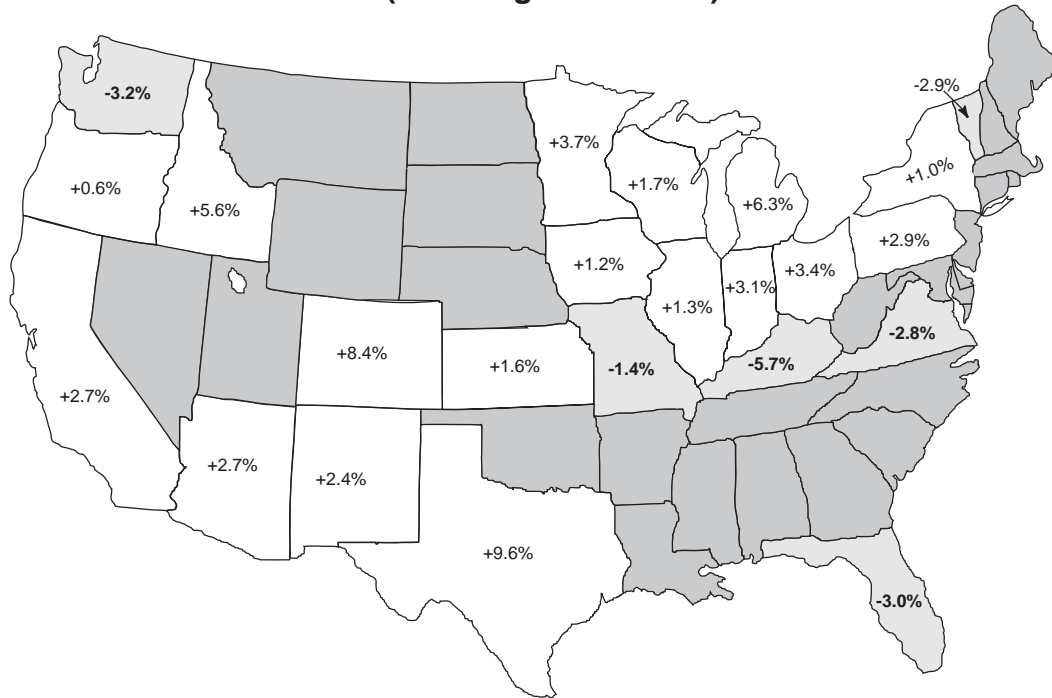
Comparing the third quarter of 2006 to the second quarter of 2006, U.S. average milk prices were up to \$12.23/cwt. USDA projects that for the fourth quarter of 2006, U.S. average all-milk prices will be \$13.70-13.90/cwt.; Class 4b prices will be \$12.76-12.96/cwt; and Class 4a prices will be \$11.85-12.15/cwt.

Utility Cow Prices

Comparing the third quarter of 2006 to the second quarter of 2006, average U.S. utility cow prices were up \$1.50/cwt. to a national average of \$49.28/cwt. USDA projects that utility cow prices will average \$45-46 in the fourth quarter of 2006.

Information from the USDA-NASS publication "Milk Production" and the USDA-ERS publication: "Livestock, Dairy, and Poultry Outlook." 

November Milk Production in the Top 23 States (% Change from 2005)



For the U.S. overall, comparing November 2006 to November 2005:

- U.S. Milk production during November was up 2.0%
- The number of cows on farms was 9.108 million head, up 50,000 head
- Production per cow averaged 1,592 pounds, 25 pounds more than November 2005
- Six of the top twenty-three milk producing states showed an decrease in milk production

As reported by USDA
and CDFA (for California)

Milk Production Cost Comparison Summary for California ^{1/} By Quarter, 2006-2007

Quarter	North Coast		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
<i>Dollars per Hundredweight</i>										
1st Quarter										
Total Costs	15.35		12.32		11.72		11.76		12.01	
Total Costs & Allowances*	16.93		13.82		13.24		13.07		13.52	
2nd Quarter										
Total Costs	14.22		12.36		12.47		11.99		12.43	
Total Costs & Allowances*	15.76		13.88		14.00		13.31		13.94	
3rd Quarter										
Total Costs	14.62		12.58		12.73		12.56		12.71	
Total Costs & Allowances*	16.14		14.10		14.33		13.90		14.26	
4th Quarter										
Total Costs										
Total Costs & Allowances*										

* Includes an allowance for management and a return on investment

Hundredweight Pool Prices

Month	Quota	Overbase
May	\$14.60	\$12.90
June	\$14.56	\$12.86
July	\$14.99	\$13.29
August	\$14.65	\$12.95
September	\$15.26	\$13.56
October	\$15.07	\$13.37
November	\$14.35	\$12.65
December	\$14.41	\$12.71
January '06	\$13.91	\$12.21
February	\$12.75	\$11.05
March	\$12.19	\$10.49
April	\$11.90	\$10.20
May	\$11.90	\$10.20
June	\$11.90	\$10.20
July	\$11.71	\$10.01
August	\$12.13	\$10.43
September	\$12.80	\$11.10
October	\$12.87	\$11.17
November	\$13.31	\$11.61

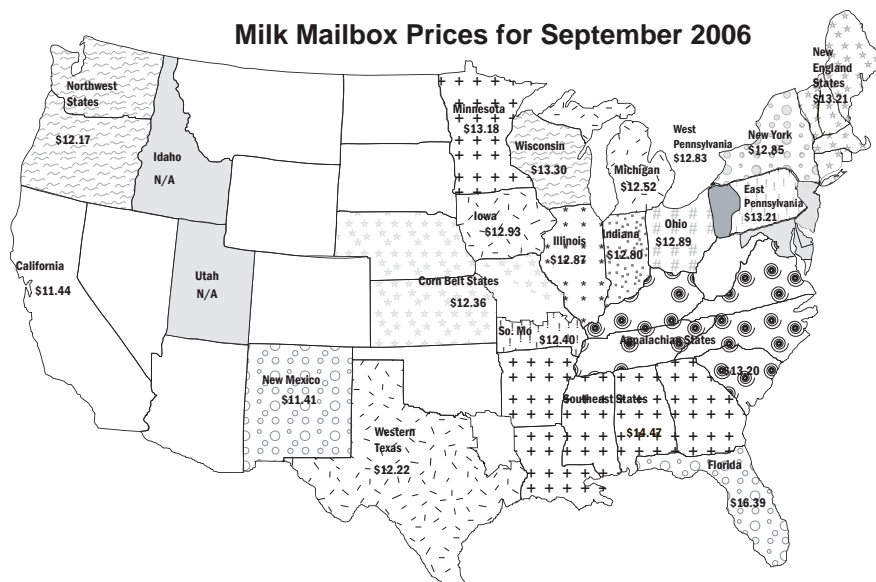
Milk Mailbox Prices

Milk Mailbox Prices in Dollars per Hundredweight

	March	April	May	June	July	August	September
California ¹	\$11.05	\$10.64	\$10.45	\$10.42	\$10.16	\$10.63	\$11.44
USDA ²	\$13.57	\$12.64	\$11.92	\$11.74	\$11.66	\$11.92	\$12.88

¹ California mailbox price calculated by CDFA.

² All federal milk market order weighted average, as calculated by USDA.



In September 2006, mailbox prices for selected reporting areas in Federal milk orders averaged \$12.88 per cwt., \$0.96 more than the figure for the previous month. The component tests of producer milk in September 2006 were: butterfat, 3.68%; protein, 3.06%; and other solids 5.69%. On an individual reporting area basis, mailbox prices increased in all reporting areas, and ranged from \$16.39 in Florida to \$11.41 in New Mexico. In September 2005, the Federal milk order all-area average mailbox price was \$15.16, \$2.28 higher.

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Outside California 1-916-442-MILK

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